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# AICPA *Washington Report*

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## DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE

A temporary rule amendment to prohibit a depository institution from soliciting the opening of multiple accounts from a depositor to provide more than one premium at a time was recently announced by the Committee (see the 3/4/81 Fed. Reg., pp. 15131-32). The temporary rule, which became effective 2/26/81, prohibits depository institutions from soliciting or otherwise promoting multiple accounts for the purpose of paying multiple premiums. Comments on whether or not the rule should be continued are requested by 4/1/81. For additional information contact Rebecca Laird at 202/377-6446.

## FEDERAL ENERGY REGULATORY COMMISSION

Elimination of producer reports No. 108 and No. 314-B and a reinstitution and revision of producer filing instructions were recently proposed by the Commission (see the 3/3/81 Fed. Reg., pp. 14899-904). In place of form No. 108, which is composed of five separate schedules, the Commission has substituted reporting requirements which reduce or eliminate entirely schedules 501, 502, 503, 505 and 507. Form No. 314-B will be deleted in its entirety and replaced by a "single statement" filing requirement that must be filed by any small producer who loses that status by producing more than 10 BCF per year. A total reduction of 88% in reporting requirements in these reports will be realized under this proposal. Comments are requested by 4/6/81. For additional information contact Marvin Hirsh at 202/357-8748.

## GENERAL ACCOUNTING OFFICE

"Impact of Foreign Corrupt Practices Act on U.S. Business" is the title of a 3/4/81 GAO Report to the Congress which is substantially based on the results of an extensive GAO survey of 250 companies randomly selected from the "Fortune 1000" list of the largest U.S. industrial firms. The 129-page report states that the FCPA has brought about "efforts to strengthen corporate codes of conduct and systems of internal accounting controls," but notes that "there is, however, extensive dissatisfaction with the clarity of the Act's accounting provisions." The GAO study also stated that the companies responding to its questionnaire believe compliance with the Act is unreasonable without a materiality standard and that they are suffering a competitive disadvantage in the absence of an international antibribery agreement. The GAO recommended repeal of the criminal penalties associated with the accounting provisions of the Act but stated that the traditional concept of materiality related to financial disclosure is inappropriate "given the intent of the Act." Instead, the GAO recommended that the SEC provide "further guidance to business on the factors and criteria that will be considered in assessing compliance with the Act's accounting provisions...." GAO recommended a report, by the Chairman of the SEC to the Congress, no later than 6/30/81. Copies of the report may be obtained by contacting the GAO at 202/275-6241 and requesting document AFMD-81-34.

## INTERSTATE COMMERCE COMMISSION

An increase from \$200 to \$500 in the "Minimum Rule" on Capital Expenditures for motor carriers of passengers and property was recently proposed by the Commission (see the 3/5/81 Fed. Reg., pp. 15302-03). The rule which allows for additions or improvements to property to be treated as expenses below a threshold amount is being revised to reduce the carriers accounting burden, accelerate the capital recoverability of minor expenditures and adjust the rule for inflation. The new guideline would be effective 1/1/81. Comments are requested by 4/20/81. For

additional information contact Bryan Brown at 202/275-7448.

#### SECURITIES AND EXCHANGE COMMISSION

A revision of disclosure requirements for property, plant and equipment (PP&E) under Regulation S-X, Rules 12-06 and 12-07, were recently proposed by the Commission (see the 3/5/81 Fed. Reg., pp. 15278-81). Although not included in a recent general revision of Regulation S-X, Rules 12-06 and 12-07, initially adopted in 1940, were reassessed in light of significant changes in financial reporting over the past 40 years. Rule 12-06 prescribes PP&E schedule requirements while Rule 12-07 involves related information about accumulated depreciation, depletion and amortization. The Commission said that the proposed PP&E schedules are based on industry segments used in complying with FASB Statement No. 14. The proposal would also require issuers to disclose idle capacity or fully depreciated assets still in use if it exceeds a 5% threshold. A size standard for determining which registrants should be required to disclose information about their PP&E is also included. Comments are requested by 4/30/81. For additional information contact Arthur Schmeiser at 202/272-2133.

Distributions of securities to employee or shareholder plans sponsored by an issuer or its subsidiary will be excepted from the general prohibitions of Rule 10b-6 under the Securities Exchange Act of 1934 under a final rule recently issued by the Commission (see the 3/4/81 Fed. Reg., pp. 15133-35). Rule 10b-6 generally prohibits trading by persons interested in a distribution. The final rule amendment was adopted by the Commission effective 2/19/81 to allow distributions to employee or shareholder plans because the Commission believes that these types of distributions do not present the potential for manipulative abuse that the rule was designed to prohibit. For additional information contact Allyn Shepard at 202/272-2883.

A proposal to limit access to SEC documents through the FOIA was recently released by the Commission for public comment (see the 3/4/81 Fed. Reg., pp. 15178-80). The proposed rule would define the circumstances under which a document received by the Commission will not be considered to have been "obtained" by the Commission within the meaning of section 24(a) of the Securities Exchange Act of 1934, thereby not becoming an "agency record" for purposes of the Freedom of Information Act (FOIA). The rule is proposed to provide an avenue of recourse to prevent disclosure of material often submitted to the Commission voluntarily to aid in its investigations when no other exemption under the FOIA is available. Many requests for access to this information are by business competitors of or litigants adverse to the submitter. These requestors seek the information as a means of discovering confidential information to gain an advantage "not within the contemplation of Congress when it enacted the FOIA." Comments are requested by 6/1/81. For additional information contact Harlan Penn at 202/272-2454.

#### SMALL BUSINESS ADMINISTRATION

Michael Cardenas, a partner in a major CPA firm, has been nominated by President Reagan to be Administrator of the SBA. Starting his own firm in 1967, Mr. Cardenas became a partner in Elmer Fox & Co. in 1979 when the two merged. A member of several CPA organizations, including the AICPA, Mr. Cardenas has also been active in various community services and political campaigns.

#### TREASURY, DEPARTMENT OF

Legislation designed to modify the Thor Power tax rulings was introduced this week by Sen. Daniel Moynihan (D-NY). The bill, S. 578, contains three basic provisions.

The substance of the measure is in section 1 and allows any company that can demonstrate that a portion of its inventory will eventually be sold below cost write down that portion to its net realizable value. Under present law, a business electing LIFO must keep its financial statements and its tax statements the same. It cannot use FIFO for financial purposes and at the same time use LIFO for tax purposes. Section two repeals the LIFO conformity requirement. The third provision allows companies 10 years to spread out any profits that result from a change if they switch from FIFO to LIFO accounting. S. 578 would take effect retroactively and apply to the 1979 tax years. A company would be able to redo its taxes for 1979 and 1980 using the new method.

A second measure, H.R. 2319, introduced by Rep. Henry Nowak (D-NY) seeks to simplify and reform the methods of inventory accounting. This legislation contains the three provisions of Sen. Moynihan's bill, however, it additionally: simplifies the Inventory Pooling requirements; permits businesses to use regularly published government price indexes; permits businesses to use certain internal indexes, without showing other methods are unsuitable or impractical; and, repeals section 403(b) of the Crude Oil Windfall Profits Tax Act of 1980.

Confirmation of Roscoe L. Egger, Jr. as the next Commissioner of the Internal Revenue Service was recommended by a unanimous vote of the Senate Finance Committee on 3/5/81 in a hearing to consider his candidacy. In his prepared statement before the Committee, Mr. Egger stated that the effectiveness of the "self-assessment tax system" relies on three basic elements: that the IRS, in fact and in perception by the public, be a competent and efficient organization that treats people with fairness, objectivity and respect; that honest taxpayers deserve the assurance that others are paying their fair share and that those who purposely violate the law encounter swift and certain consequence; that the IRS should maintain a "sound working relationship" with the Senate Finance Committees and other Congressional committees. Mr. Egger must now be confirmed by a vote of the Senate.

382 schemes involving 4,296 tax returns claiming over \$7 million in illegal refunds during the year ending 12/31/80, have been detected by the IRS. The schemes, according to IRS, involve phony names and bogus Forms W-2, Wage and Tax Statement, listing money never withheld. Teams at each of the IRS service centers screen returns with the aid of computers. Since 1/77, according to the IRS, it has uncovered 1,657 schemes involving 12,765 fraudulent refund returns and stopped the issuance of \$15.5 million in fraudulent refunds. The IRS Criminal Investigation Division has recommended prosecution against 647 individuals. 319 have been convicted so far under a law which provides that this felony offense could result in a five-year prison term and/or a \$10,000 fine.

Taxpayers may be penalized for failing to file separate Schedule C, (Form 1040), Profit or (Loss) from Business or Profession, for each trade or business as required by existing instructions, according to a 3/3/81 IRS News Release. Taxpayers, according to the ruling, who have already filed their 1980 income tax returns and did not follow the instructions for Schedule C should file an amended return using form 1040X, Amended U.S. Individual Income Tax Return. Rev. Rul. 81-90, further explaining the filing requirement will be published in the Internal Revenue Bulletin No. 1981-10, dated 3/9/81.

Repeal of the foreign tax credit and of the deferral of U.S. tax on the income of foreign subsidiaries of U.S. companies is the subject of recent legislation, S. 523, introduced by Sen. John Melcher (D-MT) on 2/20/81. The first provision of the bill would repeal the credit against U.S. taxes for foreign taxes paid and allow in its place a tax deduction. According to Sen. Melcher, "instead of permitting

U.S. owned multinational corporations a dollar-for-dollar credit against their U.S. corporate taxes for the taxes they pay overseas, the provision would allow only a deduction from taxable income." Part two of S. 523 repeals the deferral of U.S. tax on the income of foreign subsidiaries of U.S. firms allowed under current law and the profits of foreign subsidiaries currently to their U.S. parents in the same manner as profits of domestic companies. The foreign tax credit would be allowed for repatriated earnings.

SPECIAL: AICPA FORMALLY ENDORSES CPA TO HEAD GAO

Charles A. Bowsher, CPA, managing partner of the Government Services Industry Program, Arthur Andersen & Co. has been formally endorsed by the AICPA Board of Directors for the position of Comptroller General of the U.S., following the retirement of the Honorable Elmer B. Staats. Mr. Bowsher's 25-year career in public accounting and business also includes four years as Assistant Secretary of the Navy (Financial Management) under both Presidents Johnson and Nixon. A Congressional Nominating Commission, composed of ten Senators and Congressmen will submit a list of potential candidates for consideration by President Reagan.

SPECIAL: SEN. WILLIAMS INTRODUCES UNIFORM ACCOUNTING STANDARDS FOR STATE AND LOCAL GOVERNMENTS

Legislation which would lead to the first standards for uniform accounting in the financial reports of state and local governments was introduced recently by Sen. Harrison Williams (D-NJ). The bill, S. 610, would establish a new Institute for State and Local Government Accounting and Reporting Standards made up of representatives from all levels of government, the accounting profession, the financial analysts profession and the public. The Institute would promulgate new standards to ensure that the forms and reports issued by state and local officials contain adequate information about the financial condition of their governments and that they follow GAAP. According to Sen. Williams, "improved accounting procedures lie at the very heart of improving the management of government" and this legislation is necessary because state and local officials and the accounting profession have failed in a long-delayed search for some set of uniform standards for municipal and state accounting. Additionally, Sen. Williams stated that the delays in establishing voluntary standards of accounting "are trying the patience of concerned public officials." Sen. Williams is the ranking minority member of the Senate Banking Committee, to which the bill has been referred. S. 610 is identical to S. 1236, introduced by Sen. Williams on 5/23/79.

SPECIAL: AICPA TESTIFIES ON SOCIAL SECURITY FINANCING ISSUES

Donald H. Skadden and James E. Wheeler, professors at the University of Michigan, presented testimony on behalf of the AICPA's Federal Tax Division, 3/6/81, before the Social Security Subcommittee (House Ways and Means Committee) on social security reform. The AICPA's analysis of the problems facing the social security system resulted in the formal adoption, in 1980, of the AICPA Statement of Tax Policy No. 8, "Suggested Improvements for the Social Security Retirement System." The AICPA's suggestions to the Congress embodied in this policy statement include two major recommendations. Retirement benefits should be actuarially tied to amounts that have been paid by and for each individual, adjusted for inflation plus a modest real rate of return. Thus, each beneficiary would receive only what the combined employee-employer contributions to the retirement system would justify. Any payment beyond what is actuarially warranted---such as to maintain a minimum standard of living which Congress might determine--- would be funded from general revenues. The second recommendation involves the theory

that wages which are subject to both FICA and income taxes are, in reality, subject to double taxation. The AICPA proposal provides for current deductibility of all FICA contributions and the subsequent taxation of OASI benefits. Thus, social security pensions would be treated in similar fashion to qualified pension plans. The AICPA emphasized that the taxation of the OASI benefits would not cause hardship to low income retirees due to the extra exemptions and the zero bracket amount. A system would have to be phased in whereby current retirees who did not receive a tax deduction when they paid into the social security system would not then be taxed on social security benefits. Anyone wishing to receive one free copy of the AICPA's testimony may do so by contacting the Washington Report office at 202/872-8190 ext. 47, and requesting document 81-2/1 prior to 3/30 81.

For additional information, please contact Jim Kovakas,  
Gina Rosasco, Nick Nichols or Kathee Baker  
at 202/872-8190.

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1620 Eye Street, N.W., Washington, D.C. 20006

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